



Quarterly Treasury Report

As of 31 March 2026

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Economic Commentary

Global

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Financial markets ended the March quarter in a more cautious mood than they began it. The conflict in the Middle East pushed oil prices sharply higher, lifting inflation concerns, and driving global interest rates higher, while equities became more volatile and the US dollar strengthened. The outlook now depends heavily on how soon the conflict is resolved, with a prolonged period of disruption likely to exacerbate pressure on energy prices, inflation, global growth, and interest rates.

The US economy still looks resilient, but it has clearly cooled. Growth slowed into late 2025, inflation is lower than a year ago but not yet fully settled, and payroll growth has eased enough to suggest the labour market is softening, leaving the US Federal Reserve to balance slower growth against higher inflation. Recently, higher inflation has been the market's primary concern, with the 10-year US Treasury yield ending the March quarter at 4.32%, up from 4.17% at the start of the quarter.

Australia has held up better than most major economies recently. Strong government spending and migration has supported growth; however, inflation remains sticky. After delivering three interest rate cuts over 2025, the RBA reversed course and lifted its cash rate in both February and March, the cash rate finishing the quarter at 4.10%. Households are still feeling cost pressures, as higher interest rates and fuel prices threaten to compound the pain. This has already affected consumer confidence, which is now at its lowest level since the series began in 1973. The 10-year Australian government bond yield rose from 4.75% in January to just below 5.00% by quarter-end.

Elsewhere, the picture remained uneven. China showed some improvement in manufacturing, but weak domestic demand still makes the recovery look fragile. Japan is facing imported inflation, driven by higher oil prices and a weak yen, which should help the Bank of Japan increase interest rates. Europe has seen moderate growth, while the latest energy price shock has made the inflation outlook less comfortable.

New Zealand

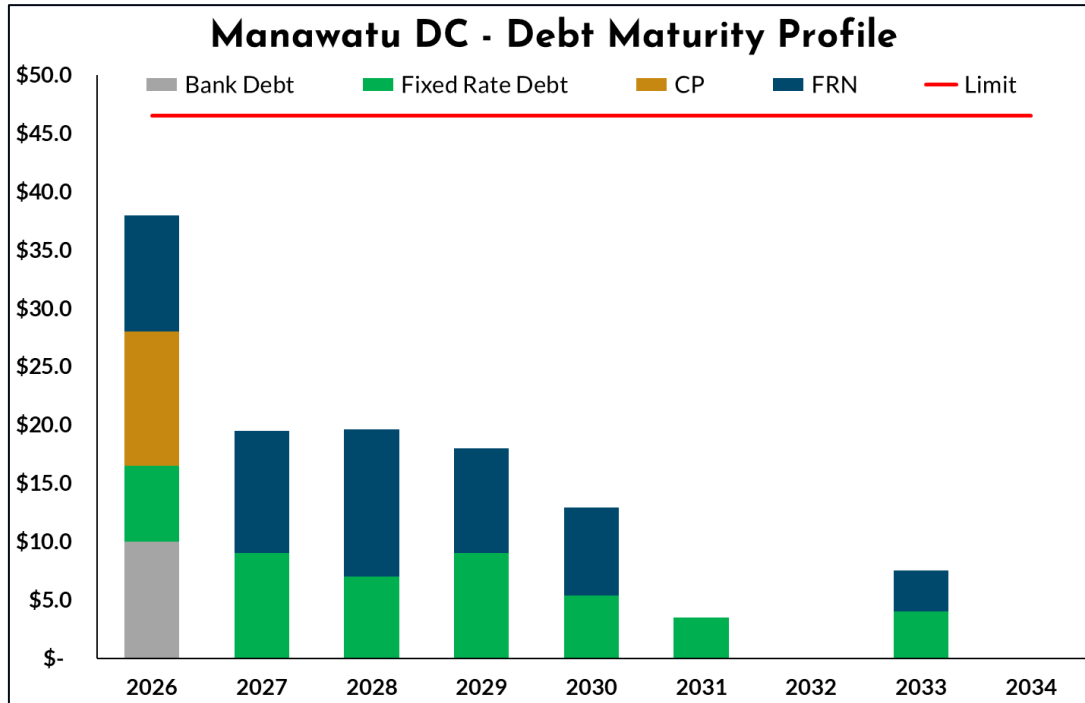
	OCR	90 day	1 year swap	2 year swap	3 year swap	5 year swap	10 year swap
31-Dec-25	2.25%	2.52%	2.61%	2.93%	3.20%	3.56%	4.09%
31-Mar-26	2.25%	2.54%	2.92%	3.43%	3.69%	3.96%	4.32%
Change	0.00%	+0.02%	+0.31%	+0.50%	+0.49%	+0.40%	+0.23%

New Zealand entered 2026 with signs that the economy was starting to improve. Growth had returned in the second half of 2025, economic sentiment was picking up - helped by stimulatory interest rates. The RBNZ left the OCR unchanged at 2.25% in February, noting the economy was at an early stage of recovery, and forecast GDP growth of 2.8% over 2026.

Nevertheless, the domestic outlook has changed drastically as the war in the Middle East is set to test the improving narrative. Higher oil and prices have lifted inflation risks, pushing interest rates higher while also threatening growth by raising costs and weighing on confidence. In March, business confidence fell from 59.2 to 32.5, while consumer confidence fell from 100.1 to 91.3. Ultimately, this has made the interest rate outlook less clear than it was previously. Since the conflict began, the three-year swap rate has risen around 50bp to 3.69%, while the New Zealand 10-year government bond yield is around 40bp higher at 4.72%, tightening financial conditions just as domestic momentum was tentatively beginning to improve. As noted above, the domestic outlook now depends heavily on how soon the conflict is resolved.



Liquidity and Funding



External Council Core Debt
\$108.9m
 External Council Drawn Debt (excludes on-lending to Manawatu Community Trust)

Total LGFA Debt
\$110.4m
 Funds Drawn from LGFA (includes on-lending to Manawatu Community Trust)

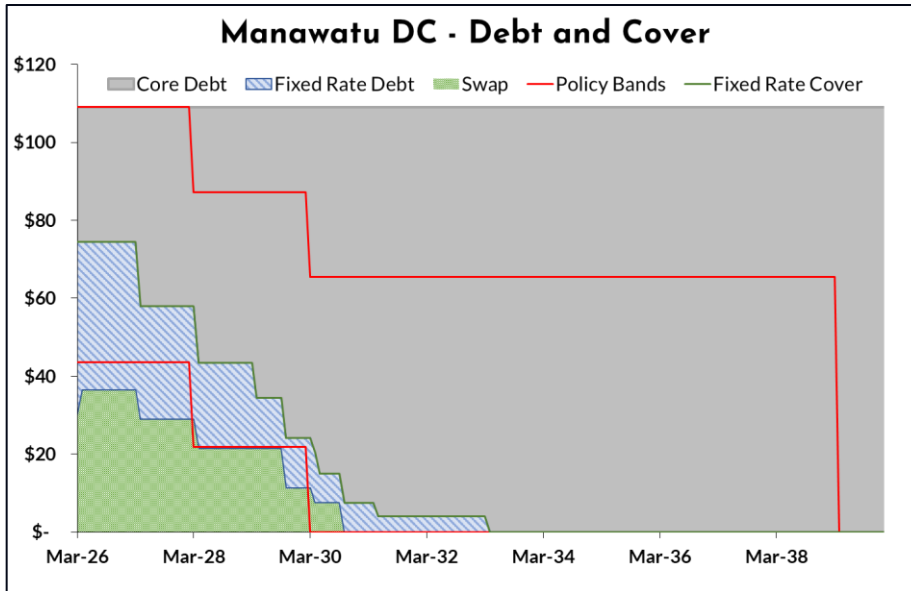
Liquidity = cash in bank, term deposits and undrawn bank facility
\$18.46m

Liquidity Ratio (must be >110%)
116.72%
 Definition: (Cash Reserves + Lines of Credit + Drawn Debt)/Drawn Debt)

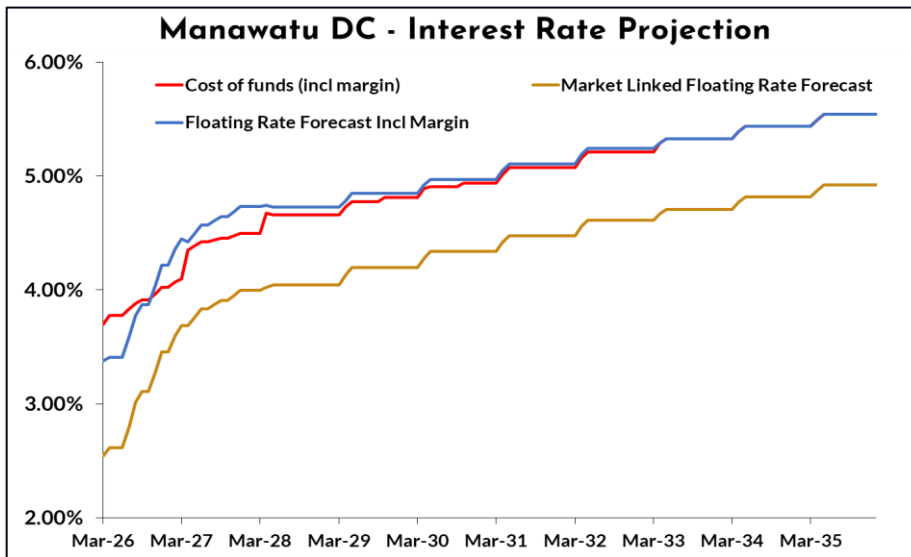
Cost of Funds as at 31 March 2026
3.70%

Policy Compliance	Compliant
Have all transactions been transacted in compliance with policy?	Yes
Is fixed interest rate cover within policy control limits?	Yes
Is the funding maturity profile within policy control limits?	Yes
Is liquidity within policy control limits?	Yes
Are counterparty exposures within policy control limits?	Yes

Interest Rate Risk Management



<i>Current % of Debt Fixed</i>	68.3%
<i>Current % of Debt Floating</i>	31.74%
<i>Value of Fixed Rate (m)</i>	\$74.4
<i>Weighted Average Cost of Fixed Rate Instruments</i>	3.51%
<i>Value of Floating Rate (m)</i>	\$34.6
<i>Current Floating Rate</i>	2.54%
<i>Current Floating Rate (incl margin)</i>	3.38%
<i>All Up Weighted Average Cost of Funds</i>	3.70%
<i>Total Facilities In Place</i>	\$120.3
<i>Facility Headroom</i>	\$10.0



Fixed Rate Hedging Bands			
	Minimum	Maximum	Policy
0 - 2 years	40%	100%	Compliant
2 - 4 years	20%	80%	Compliant
4 - 13 years	0%	60%	Compliant

LGFA Funding Rates as at 31 March

Listed below are the credit spreads and applicable interest rates as at 31 March 2026 for Commercial Paper (“CP”), Floating Rate Notes (“FRN”) and Fixed Rate Bonds (“FRB”), at which Manawatu DC could source debt from the Local Government Funding Agency (“LGFA”).

Maturity	Margin	FRN (or CP Rate)	FRB
3 month CP	0.15%	2.69%	N/A
6 month CP	0.15%	2.95%	N/A
Apr-27	0.43%	3.12%	3.45%
May-28	0.58%	3.27%	4.16%
Apr-29	0.61%	3.30%	4.43%
May-30	0.70%	3.39%	4.66%
May-31	0.79%	3.48%	4.86%
May-32	0.88%	3.57%	5.04%
Apr-33	0.97%	3.66%	5.19%
May-35	1.08%	3.77%	5.43%
Apr-37	1.10%	3.79%	5.55%



Manawatu DC Funding as at 31 March 2026

As at 31 March 2026, MDC had \$110.4 million of total debt (including the on-lending to MCT), all of which is sourced from the LGFA using Commercial Paper ("CP"), Floating Rate Notes ("FRN's") and Fixed Rate Bonds ("FRB's"), details contained below.

Instrument	Maturity	Yield	Margin	Amount
LGFA FRN	15-Apr-26	3.41%	0.91%	\$4,000,000
LGFA FRB	15-Apr-26	3.89%	N/A	\$4,000,000
LGFA FRN	15-Apr-26	3.39%	0.88%	\$2,000,000
LGFA FRN	15-Apr-26	3.30%	0.79%	\$2,500,000
LGFA FRB	15-Apr-26	2.90%	N/A	\$2,500,000
LGFA FRN	15-Apr-26	3.09%	0.58%	\$1,400,000
LGFA CP	27-May-26	2.64%	N/A	\$11,574,029
LGFA FRB	15-Apr-27	1.11%	N/A	\$7,000,000
LGFA FRB	15-Apr-27	1.95%	N/A	\$2,000,000
LGFA FRN	15-Apr-27	3.16%	0.66%	\$3,000,000
LGFA FRN	15-Apr-27	3.16%	0.65%	\$3,500,000
LGFA FRN	15-Apr-27	3.27%	0.76%	\$4,000,000
LGFA FRN	15-Apr-28	3.40%	0.89%	\$2,000,000
LGFA FRB	15-Apr-28	3.12%	N/A	\$2,000,000
LGFA FRB	15-Apr-28	2.20%	N/A	\$3,000,000
LGFA FRB	15-Apr-28	2.12%	N/A	\$2,000,000
LGFA FRN	15-May-28	3.47%	0.96%	\$7,000,000
LGFA FRN	15-May-28	3.40%	0.89%	\$3,600,000
LGFA FRB	20-Apr-29	2.42%	N/A	\$1,000,000
LGFA FRB	20-Apr-29	2.41%	N/A	\$2,500,000
LGFA FRN	20-Apr-29	3.14%	0.63%	\$2,000,000
LGFA FRN	20-Apr-29	3.37%	0.86%	\$2,000,000
LGFA FRB	20-Apr-29	5.45%	N/A	\$5,500,000
LGFA FRB	20-Apr-29	4.77%	N/A	\$1,400,000
LGFA FRN	20-Apr-29	3.56%	1.05%	\$3,000,000
LGFA FRN	20-Apr-29	3.47%	0.96%	\$2,000,000
LGFA FRN	15-Apr-30	3.20%	0.69%	\$4,500,000
LGFA FRB	15-May-30	5.51%	N/A	\$5,400,000
LGFA FRN	15-May-30	3.65%	1.14%	\$3,000,000
LGFA FRB	15-May-31	4.31%	N/A	\$4,000,000
LGFA FRN	14-Apr-33	3.44%	0.94%	\$3,500,000
LGFA FRB	14-Apr-33	4.72%	N/A	\$3,500,000

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